

Hearing on Social Security Program Integrity Issues

Statement for the Record

Committee on Ways and Means
Social Security Subcommittee

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Good morning Chairman Shaw and members of the Subcommittee, thank you for the opportunity to address you on Social Security Program Integrity Issues. Since 1995, the Office of the Inspector General (OIG) has made great strides in preventing and detecting fraud, waste, and abuse with the support of the Agency. It is with great pride that I can state that every year since Fiscal Year (FY) 1996, our investigative accomplishments and audit recommendations surpassed the dollar amount of our appropriation. In FY 1999 alone, two of our investigative projects identified over \$64 million in overpayments and projected savings to the Government which when coupled with our audit work and other investigative results exceeded our appropriations by over \$300 million.

Today, I would like to present instances where: 1) our work has been extremely effective and with your help we can achieve even greater results; 2) areas where the Social Security Administration (SSA) needs to strengthen the oversight of its programs and operations; and 3) an update on other stewardship areas that are of interest to this Subcommittee.

Cooperative Disability Investigations Projects -- Disability fraud is a major focus of our work and we continue to identify individuals whose actions undermine the integrity of this program. As part of our aggressive program to attack fraud, we joined with SSA in a cooperative effort to pilot Cooperative Disability Investigations (CDI) projects in FY 1998. These teams combine the resources and talents of our special agents with State law enforcement officers and SSA and State Disability Determination Service (DDS) employees in order to combat disability fraud. Currently, we have seven investigative units operating in Atlanta, Baton Rouge, Chicago, New York City, Oakland (California), Salem (Oregon), and St. Louis. This innovative project has proven to be an effective means of preventing fraud from occurring. In FY 1999, with a budget of less than \$2 million, the five original CDI pilots produced an estimate savings to the Agency of over \$20 million, making our return on investment close to \$10 to \$1. There is some effort underway to devolve this process to local control. I am very concerned that these projects become a permanent baseline activity and remain under Federal control, since huge Federal benefit expenditures are at risk.

Fugitive Felon Program -- Our office provides the lead in implementing the Fugitive Felon Program under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law (P.L.) 104-193 that was enacted on August 22, 1996. Section 202(a) of this law amended the Social Security Act to make a person ineligible to receive SSI benefits during any month in which the recipient is:

fleeing to avoid prosecution for a crime which is a felony under the laws of the place from which the person flees;

fleeing to avoid custody or confinement after conviction for a crime which is a felony under the laws of the place from which the person flees; or

violating a condition of probation or parole imposed under Federal or State law.

In Fiscal Year 1999, we identified over 7,000 fugitives receiving SSI payments illegally with estimated savings of \$27 million to the Government. However, delays in establishing computer matching agreements and problems with data compatibility have impeded our ability to reach the program's full potential.

Under current law, fugitives continue to be entitled to receive Old-Age, Survivors, and Disability Insurance (OASDI) benefits under title II of the Social Security Act. Even though the OASDI program is an entitlement program, we believe that SSA should not pay OASDI benefits to fugitive felons because these funds may finance a potentially dangerous fugitive's flight from justice. Additionally, we believe that the expansion of fugitive non-payment provisions to the OASDI program would allow SSA to present a consistent message to the public that fugitives will not receive any type of benefit from SSA.

The following important areas deal with programs and operational issues where the OIG will work closely with the Agency to ensure progress and success.

Representative Payee Program – The representative payee program provides benefits to the most vulnerable members of society--the young, the elderly, and the disabled. For those individuals that are incapable of directing or managing their benefits, SSA has the authority to appoint representative payees. It is important to recognize that most representative payees are family members of beneficiaries, and do not abuse the responsibilities entrusted to them. However, given the extreme vulnerability of some of SSA's customers, it is imperative that SSA provide appropriate safeguards to ensure that representative payees meet their responsibilities and use funds appropriately.

Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our ongoing investigative work provides examples of representative payees who have taken advantage of vulnerable individuals. Recent media attention has also highlighted alleged wrongdoings of institutions that serve as representative payees, such as the Aurora Foundation that was the subject of a television news magazine segment in January 2000, entitled "When Nobody's Looking."

To address this issue, SSA has proposed legislation to provide additional safeguards for beneficiaries with representative payees, particularly in cases when representative payees have misused benefits.

SSA has also asked us to assist them in addressing prior audit findings and the other longstanding issues in order to make improvements to the representative payee program. I pledged my full support, and will assist SSA by:

- Providing our expertise and guidance to SSA staff during on-site reviews of select representative payees;

- Conducting periodic audits of the representative payee program, including Agency and representative payee compliance with policies and procedures; and

- Evaluating, on an ongoing basis, the need for revised policies and procedures and recommending improvements to the representative payee program.

Also, to strengthen our ability to meet this pledge, there are legislative enhancements that can be made to our Civil Monetary Penalty (CMP) authority. The Commissioner of Social Security has delegated to the OIG authority under section 1129 of the Social Security Act to impose administrative penalties and assessments against individuals, to including representative payees, who make false statements to obtain or retain benefits. This improves our ability to ensure that individuals who commit this type of fraud against SSA are penalized, even if such individuals are not prosecuted criminally. Our investigative work has revealed that gaps exist with our CMP authority. SSA has proposed legislation that OMB has submitted to Congress that would enhance this effort. I believe this legislation can be broadened to further strengthen the effectiveness of the CMP program.

Fraud Prevention and the Impact on Employees -- SSA has a difficult balance to maintain between providing "World Class Service" to its customers and enforcing its "Zero Tolerance for Fraud" commitment. In some instances, the implementation of these goals can conflict with each other. Although SSA employees are trained in fraud prevention and are required to comply with certain procedures designed to prevent fraud, their performance is measured in terms of customer service. This is an issue that the Agency will continue to deal with as it recognizes customers expect service to be the top priority.

Further, SSA employees are often faced with difficult situations as they come into contact with the public each day. Our experience has shown that some employees instinctively know when they are presented with false documents. However, employees are sometimes reluctant to question individuals because of fear of violence or retaliation by the individual. In light of this, we initiated Employee Threat pilots to assess the need for OIG involvement in such matters. Our efforts so far have revealed that as a Federal law enforcement organization, we need to improve our ability to address threats made against SSA employees. This would instill in SSA's employees a vastly improved peace of mind, and strengthen the OIG's ability to protect these employees.

Finally, I would like to briefly highlight the following areas that have been of interest to this Subcommittee.

Social Security Number Misuse – Our office appreciates that this Subcommittee has recognized how large a problem Social Security Number (SSN) misuse and identity theft are and that you will hold separate hearings on the matter. Given the inherent connection between SSN misuse and fraud, I do not believe that I can testify on SSA stewardship without mentioning our increased focus on identifying controls to prevent and detect SSN misuse. The expanded use of the SSN as a personal identifier has given rise to the practice of counterfeiting SSN cards; obtaining SSN cards based on false information; and using a SSN belonging to another to obtain benefits and services from Federal programs, credit card companies, retailers, and other businesses. Our audits and investigations to date have identified trends in SSN misuse, and I look forward to providing more details on our SSN misuse initiatives and our overall approach for combating identity theft at a future hearing.

Systems Security and Critical Infrastructure Protection -- As agencies become more dependent on electronic data, special consideration must be given to protect the transmission, storage, and processing of this sensitive data from cyber and/or physical threats. SSA's systems are critical to customer service delivery. Technology is rapidly changing in this new electronic age, especially in the use of the Internet to conduct business. As technology and its use advances, we need to be sure that the appropriate safeguards are in place to protect SSA's critical infrastructures, and to ensure that SSA can continue to serve its customers by using technology to its advantage. Recognizing that this mission goes far beyond our traditional audit and investigative roles, I established a Critical Infrastructure Division within the OIG and entered into a partnership with SSA to focus on its critical infrastructure protection program. Within a few months this partnership resulted in the development of incident response procedures that include immediate referrals to OIG of any systems penetrations or inappropriate activity. We will continue to support the Agency's critical infrastructure initiatives, as well as continue our audits and investigations aimed at identifying vulnerabilities in SSA's control structure, establishing preventive measures, and investigating perpetrators.

Suspense File – Each year, SSA receives about 216 million wage reports from about 6.5 million employers. One of the long-standing issues at SSA has been the large number of wage records that are posted to the "Suspense File" because the records cannot be associated with a valid SSN. This file has accumulated 212 million wage items representing about \$265 billion in reported wages since 1937 when the file was created. Since 1990, this file has grown by an average of 5 million wage items representing \$17 billion, annually.

This file affects SSA's operations in that wages that cannot be associated with an employee's earnings record can affect the employee's future Social Security benefits. This suspense file also affects SSA's operating costs. SSA estimates that it costs less than 50 cents to post a correctly submitted wage item to an individual's earnings record, but it costs an average of \$300 to correct an item once it is in the suspense file.

To aid the Agency in gleaning insight on any patterns or trends that may identify the root cause of wage reporting problems, we conducted an audit in FY 1999 entitled *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items*. We identified several patterns and reporting errors including unassigned SSNs, duplicate mailing addresses, SSNs used two or more times, and consecutively numbered SSNs. The Agency noted in its comments to our report, that SSA has no compliance authority in these matters and relies on the efforts of the Internal Revenue Service (Internal Revenue Service) for its cooperation and support. Indeed, the main thrust of SSA's key initiative in this area is dependent on the IRS.

We recently issued another report entitled *The SSA's Earnings Suspense File Tactical Plan and Efforts to Reduce The File's Growth and Size*. In this report, we recommend that SSA: 1) place a higher priority on efforts to reduce the size and growth of this file; and 2) examine the file for potential indicators of fraud, waste and abuse. In the future,

we are planning to analyze the overall contents of the Suspense File in the hope of providing more definitive information and recommendations to SSA management and the Congress.

Workers' Compensation - Some individuals who qualify for disability insurance (DI) benefits under title II of the Social Security Act may also be eligible for cash benefits under State Workers' Compensation (WC) programs. By law, SSA offsets WC benefits from individuals' DI benefits with the intent to prevent a situation in which disabled individuals could receive more in total disability benefits than they were earning prior to becoming disabled. We have completed a series of audits in this area and have found this offset provision to be extremely error-prone and difficult to administer. These offset cases are complex in nature and administratively burdensome. They often require manual computations and frequent follow-up because of changes in WC payments or status. Also, similar to the SSI program, the current process is heavily reliant on voluntary reporting by beneficiaries.

Our audits recommended a number of procedural changes to improve SSA's control over WC offset cases as well as a proactive approach by SSA to obtain State WC data. We noted there were problems with compatibility of State data and, in some instances, State laws prohibited the release of data. SSA acknowledged that WC cases are error prone, and in response, SSA has agreed to pursue WC data matches in the States where it currently has on-line access and in other States concentrating on the ten largest WC States. In addition, SSA established a WC workgroup that is devising a comprehensive plan to improve payment accuracy. Thus far, SSA has obtained on-line access to State WC data in nine States.

Deceased Beneficiaries - Each year, SSA terminates benefits for about 1.9 million individuals because of death. Relatives, friends, and funeral homes report about 90 percent of all deaths. The other deaths are reported by States and Federal entities (5 percent), postal authorities (4 percent) and financial institutions (1 percent). Our investigations involving deceased beneficiaries have steadily increased from 336 in FY 1997 to 552 in

FY 1999. This year we have already logged in over 320 investigations at the halfway point for the year. Our Office of Audit initiated reviews of our investigative data to determine if systemic weaknesses exist in SSA's current death reporting processes. In this work, we will explore ways that SSA can improve its ability to obtain timely death information.

I would like to take this opportunity to thank the Subcommittee for its commitment to excellence in overseeing SSA's programs, and recognize the support that we receive from SSA for our anti-fraud efforts. I am confident that with your continued support we will be able to forge ahead to protect the integrity of SSA's programs which are so vital to so many Americans.

I will be happy to answer any questions now, or provide you with any additional information at a later date.

Q&A

1) from CDI section--Also, we have identified an area that challenges us in fighting disability fraud. Section 222 of the Social Security Act permits legitimately disabled individuals to attempt vocational rehabilitation for a 9-month period without losing their disability benefits. These short-term efforts, called "Trial Work Periods," are important tools in making once-disabled workers self-sufficient, and removing the financial disincentive to return to work. Unfortunately, the statute as written does not distinguish between those who are making earnest efforts at self-sufficiency and those disability beneficiaries who never were disabled, and/or conceal their work activity through fraudulent use of another person's SSN. I would recommend a simple legislative change that makes the "Trial Work Period" unavailable to individuals convicted of this type of scheme.

Q for FUGI Felons

Our effectiveness in identifying fugitive felons would be greatly strengthened if Congress would: (1) exclude computer-matching agreements that SSA enters into with Federal and State law enforcement organizations from the Computer Matching and Privacy Protection Act of 1998, as amended; and (2) mandate Federal and State participation in computer matching.